



Implementing Sustainable Finance based on Tourism Value of the Turks and Caicos Islands

Version 1.0

Report on phase I scoping the feasibility to implement a Sustainable Finance Mechanism based on the Tourism Value of the Natural Capital of the Turks and Caicos Islands

June 2015

Compiled by:

Esther Wolfs, Wolfs Company

Emma Doyle, Gulf and Caribbean Fisheries Institute

Eric Salamanca, Department of Environment and Maritime Affairs of the Ministry of Tourism, Environment, Heritage and Culture of the Government of the Turks & Caicos Islands

Table of Contents

List of abbreviations	4
Acknowledgements	5
Executive summary	6
Sustainable Financing – the highest priority need amongst Caribbean MPAs	8
Background and objectives	9
Program & activities	10
Findings on MPA sustainable financing	1
Ecological context	1
Socio-economic context	2
Governance context	4
Obstacle Analysis	5
Discussion	6
Recommendations	9
Appendices	9
Appendix I – Sustainable Financing Framework	10
Appendix II - Tour operators invited to National Park Operators Meeting, June 26, 2015	12

List of abbreviations

PA	Protected Area
GCFI	The Gulf and Caribbean Fisheries Institute
TCI	Turks & Caicos Islands
TCIG	Turks & Caicos Islands Government
AGC	Attorney General's Chambers
MTECH	Ministry of Tourism, Environment, Culture and Heritage
DEMA	Department of Environment and Maritime Affairs
TCRF	Turks & Caicos Reef Fund
TCNT	Turks & Caicos National Trust
TCHTA	Turks & Caicos Hotel and Tourism Association

Acknowledgements

Our visit and the meetings would not be possible without the engagement, enthusiasm and input of the representatives of the Turks and Caicos Islands Government' Ministry of Tourism, Environment, Heritage and Culture, the Turks and Caicos Reef Fund, The Turks and Caicos National Trust, the Tourist Board and the Turks and Caicos Hotel and Tourism Association. Their support in setting up meetings at short notice is gratefully acknowledged. The discussions during the debrief workshop contributed a great deal to making it a successful visit, and in identifying obstacles to address in future research. Special thanks go to the Honourable Minister of Tourism, Environment, Heritage and Culture Portia Stubbs-Smith and the Permanent Secretary Mrs. Desiree Lewis, the Acting Director of the Department of Environment and Maritime Affairs Mr. Henry Wilson and Dr. Eric F. Salamanca, for making this possible.

Executive summary

Natural resources make an enormous economic contribution to tourism in the small island nations in the Caribbean. A healthy tourism industry depends on a healthy environment, and conserving natural capital means ensuring jobs and income.

Moreover, sustainable development, including natural capital, of the economy will generate sustainable income and additional jobs in other sectors as well.

The natural capital, especially the beaches and coral reefs, of the TCI serves the very important tourism industry, and faces severe threats, like impacts of coastal developments, damage to coral reefs attributed to ship grounding, inappropriate waste disposal, lack of enforcement officers and support system, illegal fishing, erosion of the beaches, lionfish invasion, and the effects of climate change. Despite the valuable contribution and importance of the natural capital of TCI for tourism, TCI resources to protect and conserve these natural capital are scarce.

To support a healthy tourism industry there is a clear need to establish sustainable finance mechanisms for nature conservation of the marine and terrestrial protected areas to be effectively managed. In order to establish or optimize any such mechanisms, this research (Phase 1) focused on understanding the potential and existing funding streams and the allocation of these funds to marine and terrestrial protected area management in TCI.

It turned out that many sustainable financing streams for nature conservation in and out of marine and terrestrial protected areas already exist in TCI, if not under DEMA then under other ministries and under TCNT and TCRF. Also several organizational structures for protected management areas do exist as well in TCI consisting of government, non-government and statutory bodies. The most significant need turned out is ring fencing and optimizing existing financing streams so that funds reach marine and terrestrial protected area managers. Furthermore, there is a potential of creating new financing streams, such as marine protected area user fees or debt-for-nature swap¹.

¹ The financing mechanism for debt-for-nature swaps is an agreement among the funder(s), the national government of the debtor country, and the conservation organization(s) using the funds. The national government of the indebted country agrees to a payment schedule on the amount of the debt forgiven, usually paid through the nation's central bank, in local currency or bonds.

A government authority such as DEMA could manage these funds or the funds could be managed by institutionalizing non-governmental organisation or a statutory body at arms length of the local government through a Memorandum of Understanding. These institutions would not only be able to receive or collect funds, but also mandated to manage the marine protected areas. Furthermore, there is potential quick win for incidental funding by considering strategies for recovery of fines/settlements for damage done to coral reefs by ship grounding and the like. However, buy-in from the TCI government is crucial to continue with this research and thus making progress on any next steps. In order to build political will for nature conservation financing amongst budget-holders, stakeholders conveyed a need for the development of a solid business plan and enhanced communications about the contribution of marine and terrestrial protected area management to the TCI economy.

Sustainable Financing – the highest priority need amongst Caribbean MPAs

The Turks & Caicos Islands (TCI) is one of ten countries and territories that took part in a regional assessment of marine protected area (MPA) management capacity in the Caribbean supported by NOAA's Coral Reef Conservation Program (CRCP) in 2011. Some thirty participating MPA managers across the region identified the top priority management capacity building need as the **development and implementation of sustainable finance strategies** for their MPAs.

In response, NOAA CRCP supported a workshop on sustainable financing for Caribbean MPAs at the 2011 Gulf and Caribbean Fisheries Institute (GCFI) conference in Mexico, in which a DECR/DEMA representative participated. Since then, GCFI and NOAA CRCP have assisted priority Caribbean MPAs with tailored follow-up support as they work to address priority MPA management needs. This included GCFI-NOAA CRCP sponsorship of SocMon training for the Department of Environment and Maritime Affairs (DEMA) and Turks & Caicos Reef Fund (TCRF) in 2013 by the regional SocMon Coordinator from the Centre for Resource Management and Environmental Studies at the University of the West Indies – Cavehill. This report describes the first on-island effort by GCFI/NOAA CRCP to provide tailored assistance on sustainable financing to TCI.

Despite the importance of the environment and coral reefs in particular for the economy of the TCI, financial resources to permit effective MPA management are scarce. As in other locations in the Caribbean, annual recurrent funds are insufficient to cover infrastructure, staff positions and the management activities, such as education, outreach and monitoring that are essential to ensure effective protection and the sustainable use of natural resources. The Conservation Fund, which was originally created to generate financial support for the conservation of marine and terrestrial protected areas, was dissolved in April 2012, in part due to the lack of a guarantee that revenues would actually be spent on nature conservation.

In April 2015, GCFI and Wolfs Company offered a webinar 'Unlocking sustainable financing for Caribbean MPAs'. DEMA and TCRF participated in the webinar and responded to GCFI about the need for sustainable finance mechanisms and their effective management to guarantee their use for nature conservation and sustainable development. The sustainable finance framework that was described in the webinar (see Appendix I) resonated with TCI and DEMA and TCRF subsequently requested a possible follow-up project based on this approach.

Background and objectives

The Turks & Caicos Islands (TCI), a British Overseas Territory in the Caribbean, is well known for its beautiful beaches and coral reefs. The 8 main islands and more than 299 smaller islands host a total of 35 protected areas, which include 11 national parks, 11 nature reserves, 4 designated sanctuaries and 9 areas of historic interest. These protected areas attract many tourists. Although figures for TCI do not exist, research in other Caribbean overseas territories demonstrates that the economic contribution of natural resources to tourism is significant. For example, in the British Virgin Islands and Saba 61% and 74% respectively of the total added value of the tourism sector derives from natural resources. A healthy tourism industry thus depends on a healthy environment, and conserving natural capital means conserving jobs and income. Moreover, sustainable green development of the economy generates sustainable income and additional jobs in other sectors as well (United Nations, World Bank, World Council for Sustainable Development, Small Island Development States Network).

Whilst the environment of the TCI plays a very important role in underpinning the tourism industry, it also faces serious threats, such as from the impacts of coastal development, damage to coral reefs attributed to ship groundings, inappropriate waste disposal, lack of effective enforcement of protected areas and environmental regulations, illegal fishing, erosion of beaches, invasive species, and the effects of climate change. Despite this reality, TCI's resources for nature conservation in general, and marine protected area management in particular, are scarce. Yet research shows that tourists visiting the Caribbean have a willingness to pay for nature conservation in addition to what they are already spending, so long as it is

directly allocated to nature conservation.

In order to establish or optimize sustainable finance mechanisms for nature conservation, it is necessary to first understand the potential and existing funding streams and the allocation of these funds to MPA management in TCI. Within this context, the Gulf and Caribbean Fisheries Institute (www.GCFI.org) commissioned Wolfs Company (www.wolfscompany.com) to work with DEMA (the Turks and Caicos Islands Government Ministry of Tourism, Environment, Heritage and Culture), other marine protected area managers and stakeholders from the tourism sector to undertake Phase I of a follow-up project on sustainable financing.

From June 21-26, 2015 Emma Doyle, GCFI together with Esther Wolfs, Wolfs Company visited TCI to explore how best to assist the Turks & Caicos Islands with achieving sustainable financing for the management of MPAs. This involved:

- Presenting the results of the Caribbean MPA management capacity assessment;
- Discussing the importance of investing in nature conservation in support of effective MPA management and to help secure the sustainability of the tourism sector;
- Fact-finding and data collection about existing and potential financing mechanisms employed by MPA managers and associated organizations in TCI;
- Discussing findings from existing research on Tourism Value in the Caribbean and willingness-to-pay for nature conservation.

Through the visit we also sought to gauge whether the TCI government has a willingness and readiness to take steps to implement MPA sustainable financing.

This report lists the meetings that took place and summarizes the information gathered during these meetings. It also makes recommendations for concrete next steps and Phase II activities in order to bring about progress in MPA sustainable financing in TCI.

Program & activities

The visit consisted of a series of face-to-face meetings with key representatives of

government and stakeholder groups, working sessions with DEMA staff, participation in a meeting with tour operators and a half-day workshop with key stakeholders. Arranged in conjunction with DEMA and TCRF, all meetings took place as planned and were productive. All meeting participants showed interest in the topic of sustainable financing and indicated support for the importance of investing in nature conservation and in MPA management for the future of the territory and its economy.

The meeting program is shown in Table 1. The list of invitees to the tour operators' meeting is shown in Appendix II. To help focus on the topic of MPA sustainable financing and to prompt discussion, a presentation was given in each of the meetings.

Table 1: Meetings & Activities

Date	Morning	Afternoon
Sunday June 21, 2015	-	Arrival of Esther Wolfs & Emma Doyle
Monday June 22, 2015	Meeting with the Honourable Minister of MTECH Mrs. Portia Stubbs-Smith, the Permanent Secretary Mrs. Desiree Lewis, Acting Director of DEMA, Mr. Henry Wilson, and Assistant Director for Research and Development of DEMA, Dr. Eric Salamanca	Continued meeting with Permanent Secretary Mrs. Desiree Lewis Data gathering with Assistant Director for Research and Development of DEMA Dr. Eric Salamanca
Tuesday June 23, 2015	Meeting with Turks & Caicos National Trust (TCNT) Chair Mr. Carl Simmons and Executive Director Mrs. Ethlyn Gibbs-Williams	Data gathering with Assistant Director for Research and Development of DEMA Dr. Eric Salamanca
Wednesday June 24, 2015	Meeting with the Tourist Board's Director Mr. Ralph Higgs	Meeting with TCHTA Executive Director Mrs. Stacy Cox Evening - Participation in National Operator's Meeting with DEMA and TCNT (see list of invitees in Appendix II)
Thursday June 25, 2015	Meeting with DEMA Caicos Pine Recovery Project Manager, Mr. Bryan Manco Visit to protected areas on Little Water Cay, North and Middle Caicos, visit to Caicos Pine Project	Preparation of presentation and exercises for workshop, reporting

Friday June 26, 2015	Workshop on sustainable finance framework with MPA managers and stakeholders	De-briefing with DEMA
----------------------------	---------------------------------------------------------------------------------------	-----------------------

Findings on MPA sustainable financing

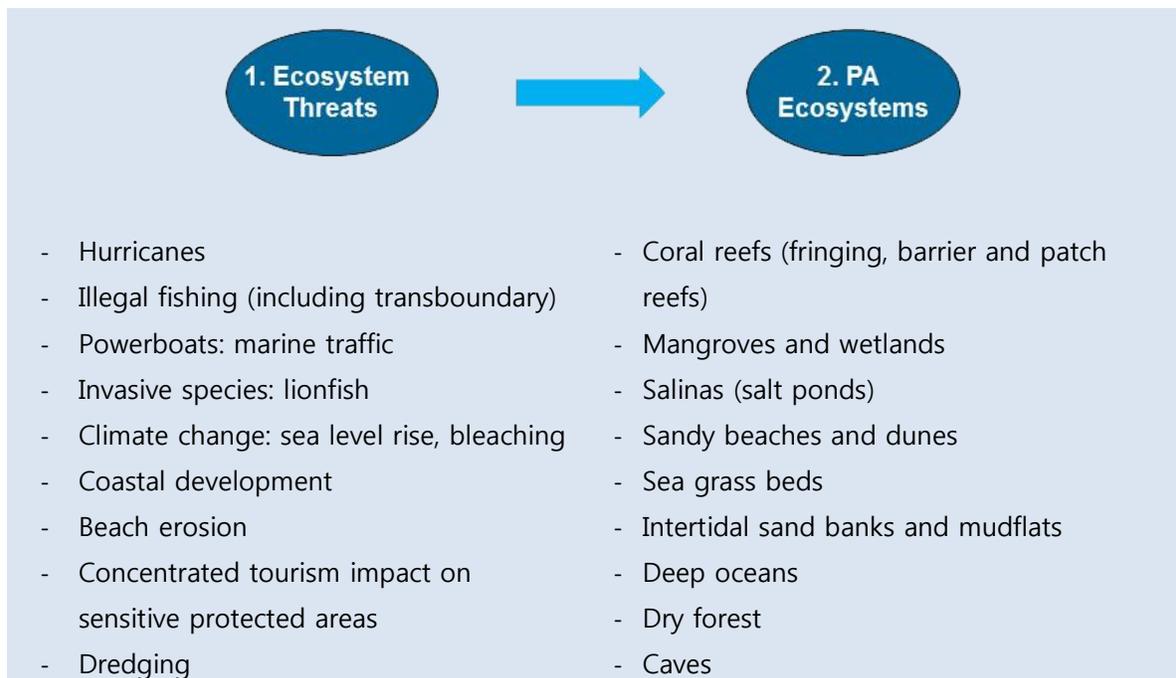
The meeting participants provided an understanding of the present day situation of TCI's MPA management, they shared information on the currently available financing mechanisms, they discussed obstacles to sustainable financing and considered the potential for implementing new sustainable finance mechanisms. Wolfs Company conducted this assessment using a Sustainable Finance Framework, and in this section we present the findings according to the categories and steps in the framework.

The framework starts with a Contextual Analysis, comprising steps 1-6 of the framework, including the ecological, socio-economic and governance contexts. We discussed and completed step 1 to 6 of the Sustainable Finance Framework as a group during the workshop.

Ecological context

Table 2 shows TCI's most important **ecosystems** and it also summarizes the current ecosystem **threats** that were identified during the meetings and sessions.

Table 2: Ecosystem Threats & PA Ecosystems

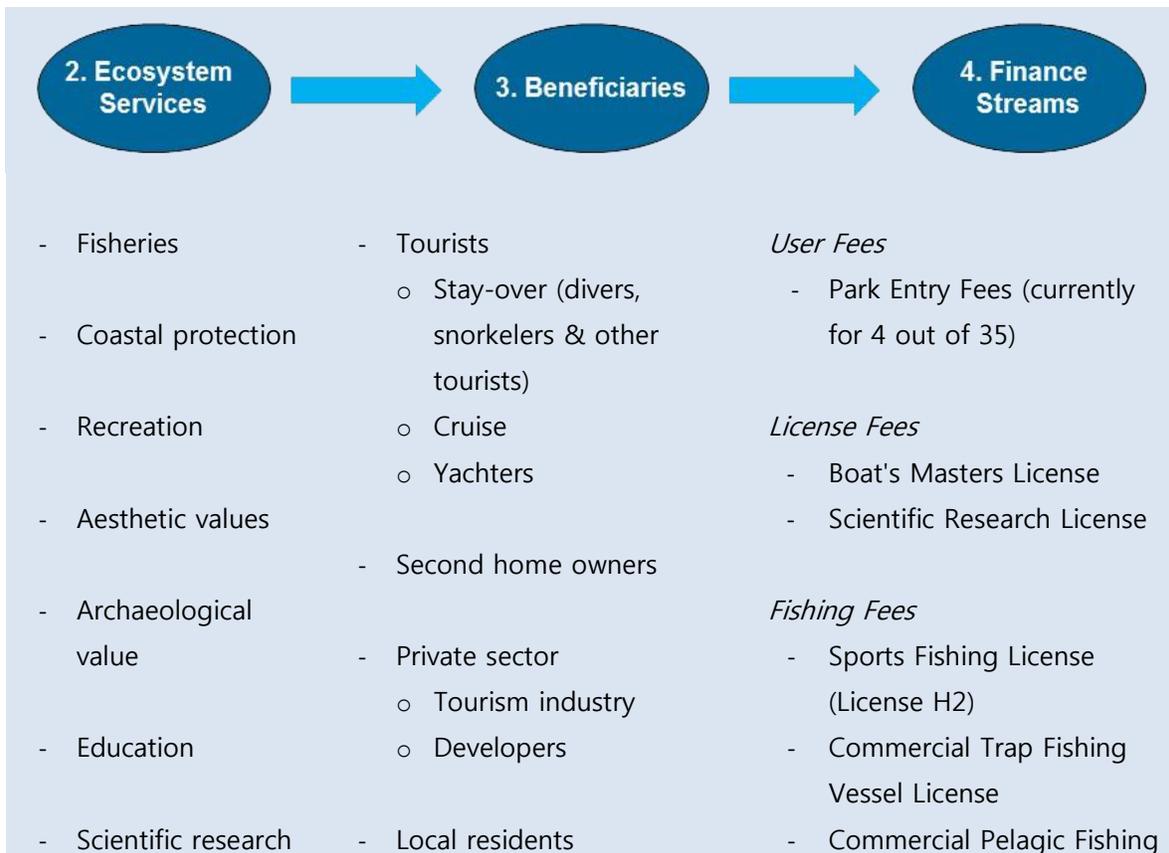


- Pollution (solid waste and run-off)
- Deforestation
- Sand mining
- Fires
- Protected species and special biodiversity (sea turtles, marine mammals, birds)

Socio-economic context

Next, the services that the ecosystems deliver were assessed. **Ecosystem services** are described as the benefits that humans derive from these ecosystems (Millennium Ecosystem Assessment, 2005). Also the **beneficiaries**, i.e. the stakeholders that are affected or benefit from the ecosystem services, were identified. From this information, an inventory can be made of all the current and potential **financial streams** that may flow from these beneficiaries. Table 3 presents the socio-economic context for sustainable MPA financing.

Table 3: Ecosystem Services, Beneficiaries & Finance Streams



- Spiritual services
 - (Potential) bird watchers
 - Vessel License
 - Lionfish Hunting Fees
 - Tournament Fees
- Other*
- Local Recreational Rental Fees
 - Accommodation Tax
 - Water sport Tax
 - Fines & Financial Settlements
 - Donations
 - Sponsorships
 - Grants

Governance context

For this last part, it is important to understand the institutional context of TCI and identify the decision makers involved in MPA funding and management. We also identify the persons responsible for the day-to-day operation and management of MPAs. Table 4 presents the governance contextual analysis.

Table 4: Influential Institutions/Decision Makers & PA Managers



Obstacle Analysis

During the workshop we then divided the participants into two groups to examine obstacles to the flow of funds that were identified under the socio-economic context. Obstacles and bottlenecks in the system can prevent funding flows from being realized and/or prevent funding from reaching MPA managers. The obstacle analysis is a crucial step in the sustainable finance framework since it forms a basis for developing solutions to implement feasible sustainable financing mechanisms, and for optimizing their use for effective MPA management.

Table 5 summarizes the obstacles identified in the workshop, listed according to the different funding streams discussed. Appendix IV shows the direct outputs from the group work with the stakeholders.

Table 5: Results of the mini-workshop obstacle analysis

Funding Stream	Obstacles
<i>User fees:</i>	
Park Entry Fees	<ul style="list-style-type: none"> - Lack of price regulation - Competition among operators - Inadequate communication about the allocation of the funds - Inadequate collaboration between environmental bodies and operators - Perception that fee is already too high
Mooring Fees	<ul style="list-style-type: none"> - Lack of enforcement - Lack of awareness of mooring fees - Lack of resources to install and maintain moorings
<i>Fishing Fees:</i>	
Tournament Fees	<ul style="list-style-type: none"> - Sometimes waived arbitrarily
<i>Other:</i>	
Local Recreational Rental Fees, such as cabanas or	<ul style="list-style-type: none"> - Low compliance - Lack of awareness of fees

water slides hire	- Lack of willingness to pay
Accommodation + Airport Tax	- Low institutional support - The funds go into consolidated fund without being ring-fenced
Donations	- Low institutional support - The funds go into consolidated fund without being ring-fenced
<i>Conservation fund in general</i>	
<ul style="list-style-type: none"> - Lack of overview of existing fees - Low awareness about the need for fees within communities - The funds are not divided, not ring-fenced, but go into consolidated fund - Policy makers reluctant to ring-fence the funds, allocate the funds to nature conservation - No insight in allocation of funds - Possible budget cuts without consultation - No administration occurring for allocation of funds - High cost for administration of allocation of funds - Absence of legislation to manage fees - Limited capacity at local government to manage fees - Focus on debt reduction (pressure on administration to pay nation's loan) - Competing priorities to pay back debt (development versus environment) - Lack of willingness to consider alternatives for paying loans - Political will to use investing in nature to pay back debt - The only fees that go directly to PAs are the park entry fees for TCNT-managed PAs (four of 35 PAs) 	

Discussion

We found that many sustainable financing streams for nature conservation and MPA management already exist in TCI, if not directly under DEMA then under other ministries, under TCNT or via TCRF. However, not all funds from these financing streams are currently reaching MPA managers.

Two potentially significant and reliable existing funding streams that deserve further consideration according to the participants are:

1. The TCI Conservation Fund, which was originally created specifically to generate financial support for the conservation of PAs. This funding is not ring-fenced, meaning that monies raised are not necessarily spent on nature conservation, but instead are destined for the consolidated fund and are currently being used to pay off debt. Although building a strong economic framework, budgeting and good public finance management systems are important in achieving positive and sustainable growth for the foreseeable future, these are currently at the expense of effective MPA management. The failure to invest in the territory's natural capital means decreasing the stock of resources that supports the tourism industry, which in turn undermines the healthy future growth of TCI's economy. Ring-fencing the existing funds has been mentioned as a potential solution, however a corresponding lack of political will was raised as another obstacle.

2. The recovery of fines/settlements for damage caused to coral reefs by ship groundings and illegal anchoring. This deserves further consideration and input from specialists experienced in this field, such as MPA Enforcement International LLC (Retired Captain Jayson Horadam). This is seen as low hanging fruit, because supposedly some settlements have already been agreed upon and should be allocated to nature conservation and restoration.

There are two financing streams which are not currently being implemented in TCI and which could be considered, namely:

1. A nature fee for snorkelers and divers, such as exists on Bonaire, see www.stinapa.org/naturefee.html. We note that meeting participants indicated concern about the addition of new user fees. As we see from research in other Caribbean countries and territories, tourists to the TCI will likely have some level of willingness-to-pay for nature conservation on top of what they already spend, so long as they are confident that those funds will actually be spent on nature conservation. Prior to any effort to introduce such fees, actual levels of willingness-to-pay should be researched in TCI, or comparative analyses made using other willingness-to-pay studies based on the profile of TCI's tourists. It would be essential to allocate these funds to nature conservation.

2. Debt-for-nature swap, which involves an agreement among the funder(s), the national government of the debtor country, and the conservation organization(s) using the funds. The national government of the indebted country or territory agrees to a payment schedule on the amount of the debt forgiven, usually paid through the nation's central bank, in local currency or bonds. This would require a signal of interest from the UK prior to further effort, and ring-fencing of these funds for nature conservation.

Furthermore, during meetings discussion took place on what kind of institution should manage the funds for nature conservation and be responsible for MPA management. Several institutional structures were found to already exist in TCI for the management of MPAs and for the administration of funding streams. These include government authorities (DEMA), non-government organizations (e.g. TCRF) and statutory bodies (e.g. TCNT). Therefore there could be a case not to establish a new type of organization to manage the MPA financials and conservation activities. It was considered that the challenge would be more on getting funding to those institutions already managing protected areas. A partnership between institutions is often employed for this purpose, for example, a non-governmental organisation or a statutory body could be appointed a supporting role through a Memorandum of Understanding to receive or collect funds and to contribute to MPA management.

In the course of the meetings we discussed various aspects of sustainable financing for MPAs. Stakeholders identified two important needs in order to realize progress in TCI. Firstly, a business plan needs to be developed by DEMA in order to better understand the financial and human resources required for effective MPA management. Secondly, stakeholders highlighted a need for enhanced communications with decision-makers and the public to create awareness and a sense of urgency about the importance of effective MPA management, that TCI's coral reefs need to be conserved and that funding must be allocated to enable this.

Recommendations

1. The most significant need in relation to sustainable financing in TCI is optimizing existing financing streams so that funds reach MPA managers. In order to support the allocation of funding to nature conservation, there is a need for enhanced communications in order to build support for nature conservation financing amongst decision-makers and budget-holders.
2. Achieving buy-in from the Ministry of Finance is crucial to making progress on any next steps. The development of a factsheet and presentation on the importance of investing in nature conservation for tourism in TCI is suggested as supporting material.
3. Of the existing financing mechanisms in place in the TCI, in the immediate terms there is most potential to raise MPA financing by using the financial fines/settlements for damage done to coral reefs by recent ship groundings for restoration and related work, such as monitoring.
4. Currently lacking, a business plan and financial dashboard for MPA management could be developed by Wolfs Company and DEMA.
5. Further research could focus on budget allocation, the willingness of tourists to pay additional for nature conservation and a review of the legal framework underpinning MPA financing. The Tourism Value of MPAs could be estimated based on readily available secondary information and a benefit transfer database, made specifically for TCI by Wolfs Company and DEMA.
6. A respected local champion(s) could be identified to guide the implementation of further work on sustainable financing mechanisms.

Appendices

Appendix I – Sustainable Financing Framework

Appendix II – Overview of tour operators

Appendix I – Sustainable Financing Framework

The methodology applied is shown in the figure below. The project follows the 10 practical steps of this framework, whereby the potential financing mechanisms can be identified and assessed and insights are created about the feasibility to implement these mechanisms.

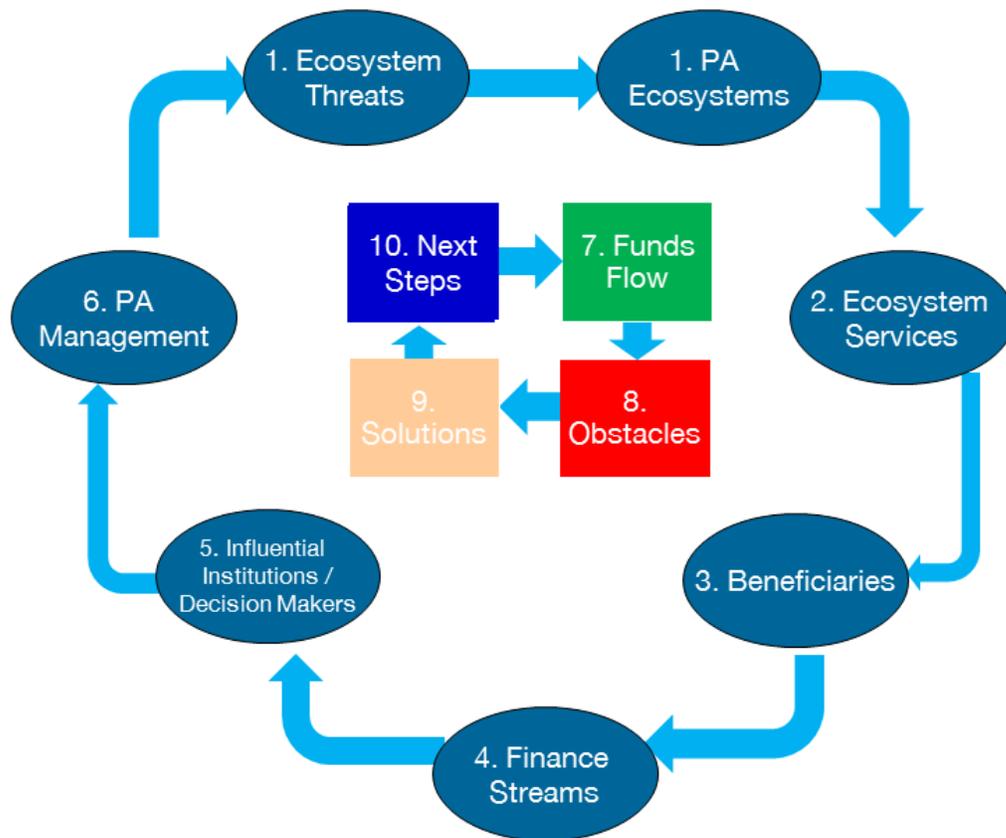


Figure 1: The Sustainable Financing Framework (Source: The Wolfs Company)

Steps 1-6 comprise the Contextual Analysis; steps 7-10 include the Funds Flow Analysis. Each step is explained in further detail in an overview in the table below.

Table 6: Steps of the Sustainable Financing Framework (Source: The Wolfs Company)

Steps in the process of identifying the best solutions to achieve sustainable financing
<i>Contextual Analysis</i>
1) Identifying the relevant ecosystem threats & PA ecosystems
2) Identifying the priority ecosystem services
3) Identifying the beneficiaries (stakeholders affected or benefitting from the prioritized services)
4) Making an inventory of all current and potential financial streams
5) Identifying the influential institutions & decision makers
6) Identifying the PA managers , responsible for the day to day operation and management of the PA
<i>Funds Flow Analysis</i>
7) Deriving thorough understanding about the current funds flow of financial resources that go from beneficiaries to the PA managers
8) Identifying possible obstacles and bottlenecks in the system that prevent the financial flows to be realized or to flow to the appropriate level of PA management
9) Defining the best solutions to achieve sustainable financing
10) Defining the next steps: actions that will help highlighting the issues at stake, as well as provide direction or insights in how to achieve the desired measures to address the obstacles.

**Appendix II - Tour operators invited to National Park Operators Meeting,
June 26, 2015**

Overview of tour operators on Providenciales

Tour Operators	Contact
Island Routes Caribbean Adventures	abrown@islandroutes.com
Big Blue Unlimited – The Eco Adventures	tanya@bigblueunlimited.com
Sail Provo Catamaran Excursions	sailprovo@gmail.com
Sun Charters & The Good Ship Atabeyra	suntours@tciway.tc
Sail Beluga	info@sailbeluga.com
Blue Whale Tours & Excursions	info@bluewhaleexcursions.com
Caicos Dream Tours	info@caicosdreamtours.com
Catch the Wave Charters	catchthewave@tciway.tc
Captain Marvin's Watersports	parasail@tciway.tc
Discovery Tours and Adventures	info@discoverytours.tc
Caribbean Cruisin	doug@caribbeancruisin.tc
Kenard Cruises	reservations@kenardcruises.com
Nautique Sports	nautiquesportstci@gmail.com
Ocean Vibes	oceanvibes@tciway.tc
Parrot Cay	info@parrotcay.com
Shoreline Adventures	info@shoreline-adventures.com
Silver Deep	paola.silverdeep@gmail.com
SURFside Ocean Academy	surfsidetci@gmail.com
Seven Stars Resort	sflowers@sevenstarsgracebay.com